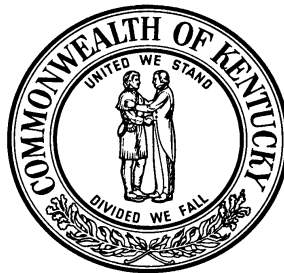


**REPORT OF THE AUDIT OF THE
GREEN COUNTY
CLERK**

**For The Year Ended
December 31, 2014**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREEN COUNTY CLERK

**For The Year Ended
December 31, 2014**

The Auditor of Public Accounts has completed the Green County Clerk's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$9,232 from the prior year, resulting in excess fees of \$61,181 as of December 31, 2014. Receipts increased by \$128,499 from the prior year and disbursements increased by \$119,267.

Report Comments:

- 2014-001 The County Clerk Lacks Adequate Segregation Of Duties Over Receipts And Disbursements
- 2014-002 The County Clerk Should Maintain Accurate Receipts And Disbursements Ledgers And Reconcile Them To All Monthly And Quarterly Reports
- 2014-003 The County Clerk Should Strengthen Controls Over Payroll

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John H. Frank, Green County Judge/Executive
The Honorable Billy Joe Lowe, Green County Clerk
Members of the Green County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying statement of receipts, disbursements, and excess fees - regulatory basis of the County Clerk of Green County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable John H. Frank, Green County Judge/Executive
The Honorable Billy Joe Lowe, Green County Clerk
Members of the Green County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Clerk, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2015 on our consideration of the Green County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Green County Clerk's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.

The Honorable John H. Frank, Green County Judge/Executive
The Honorable Billy Joe Lowe, Green County Clerk
Members of the Green County Fiscal Court

Other Reporting Required by Government Auditing Standards (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The County Clerk Lacks Adequate Segregation Of Duties Over Receipts And Disbursements
- 2014-002 The County Clerk Should Maintain Accurate Receipts And Disbursements Ledgers And Reconcile Them To All Monthly And Quarterly Reports
- 2014-003 The County Clerk Should Strengthen Controls Over Payroll

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

August 20, 2015

GREEN COUNTY
BILLY JOE LOWE, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

State Grants	\$ 14,957
HB 537 Revenue Supplement	64,618
State Fees For Services	3,505
Fiscal Court	3,351

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 366,220
Usage Tax	397,286
Tangible Personal Property Tax	769,322

Other-

Marriage Licenses	2,228
Lien Fees	6,337
Deed Transfer Tax	15,976
Delinquent Tax	153,620
County - Personal Plates	5
	<hr/> 1,710,994

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	8,032
Real Estate Mortgages	13,392
Chattel Mortgages and Financing Statements	29,052
Powers of Attorney	1,282
Affordable Housing Trust	11,246
Legal Process	8,144
VTR	2,658
Judgment Pending Liens	2,356
Oil & Gas Lease/Plats	571
IRS Liens	48
All Other Recordings	2,724

Charges for Other Services-

Candidate Filing Fees	1,500
Copywork	1,570
Delinquent Tax Sale Registration	1,000
	<hr/> 83,575

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
 BILLY JOE LOWE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Receipts (Continued)

Other:

Miscellaneous		\$	1,279
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Interest Earned			<u>364</u>
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Total Receipts			1,882,643
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	262,761	
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Usage Tax		384,936	
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Tangible Personal Property Tax		274,245	
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Licenses, Taxes, and Fees-

Delinquent Tax		15,436	
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Legal Process Tax		10,449	
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Affordable Housing Trust		<u>11,246</u>	\$ 959,073
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Payments to Fiscal Court:

Tangible Personal Property Tax		69,149	
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Delinquent Tax		13,254	
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Deed Transfer Tax		<u>15,515</u>	97,918
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Payments to Other Districts:

Tangible Personal Property Tax		394,961	
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Delinquent Tax		<u>77,943</u>	472,904
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Payments to Sheriff			12,664
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Payments to County Attorney			20,030
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Tax Bill Preparation			2,171
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Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries		100,917	
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Employee Benefits-

Employer's Share Social Security		13,766	
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The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
 BILLY JOE LOWE, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Contracted Services-		
Payroll Preparation	\$	9,140
Advertising		1,256
Software Maintenance		4,290
Document Scanning		14,957
Materials and Supplies-		
Office Supplies		6,987
Election Equipment		10
Other Charges-		
Conventions and Travel		4,777
Dues		480
Postage		4,483
Refunds		1,261
Telephone/Cable/Internet		3,759
Uncollected Returned Checks		493
Miscellaneous		35
Capital Outlay-		
Office Equipment	450	\$ 167,061
Total Disbursements		<u>\$ 1,731,821</u>
Net Receipts		150,822
Less: Statutory Maximum		<u>82,131</u>
Excess Fees		68,691
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>3,910</u>	<u>7,510</u>
Excess Fees Due County for 2014		61,181
Payment to Fiscal Court - March 2, 2015		<u>61,560</u>
Balance Due From Fiscal Court at Completion of Audit		<u><u>\$ (379)</u></u>

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 3. Deposits

The Green County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Green County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grants

The Green County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$11,912. Funds totaling \$11,912 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2014.

The Green County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$11,250. Funds totaling \$3,045 were expended during the year. The unexpended grant balance was \$8,205 as of December 31, 2014.

Note 5. Related Party Transaction

The County Clerk owns and operates a vending machine in the Green County courthouse. Profits from the vending machine are retained by the County Clerk personally. Section II B. of the county's ethic code states: "no county government officer or employee shall use or attempt to use his official position to secure unwarranted privileges or advantages for himself."

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John H. Frank, Green County Judge/Executive
The Honorable Billy Joe Lowe, Green County Clerk
Members of the Green County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statement of receipts, disbursements, and excess fees - regulatory basis of the Green County Clerk for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated August 20, 2015. The County Clerk's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Green County Clerk's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Green County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Green County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001, 2014-002, and 2014-003 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Green County Clerk's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2014-003.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

August 20, 2015

COMMENTS AND RECOMMENDATIONS

GREEN COUNTY
BILLY JOE LOWE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

FINANCIAL STATEMENT FINDINGS:

2014-001 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts And Disbursements

During our review of internal controls, we noted the County Clerk's Office has a lack of segregation of duties over receipts and disbursements. The County Clerk prints the Point of Sales (POS) daily checkout sheet, prepares the daily deposits, prepares and signs checks, and posts to the receipt and disbursement ledgers. Furthermore, the County Clerk prepares all monthly and quarterly reports.

This condition is a result of a limited budget, which restricts the number of employees the County Clerk can hire or delegate duties to and it increases the County Clerk's risk of misappropriation of assets, errors, and inaccurate financial reporting.

Segregation of duties over receipts and disbursements or implementation of compensating controls, when needed due to limited staff, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets.

Adequate segregation of duties would prevent the same person from having a significant role in the receiving and disbursing of funds and recording and reporting of those receipts and disbursements.

We recommend the County Clerk strengthen internal controls by segregating duties now performed by him. If segregation of duties is not possible, due to a limited number of staff, compensating controls which provide strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing source documents.

County Clerk's Response: No response.

2014-002 The County Clerk Should Maintain Accurate Receipts And Disbursements Ledgers And Reconcile Them To All Monthly and Quarterly Reports

The County Clerk uses a point of sales system (POS) to issue receipts and compile the daily checkout sheets. The daily checkout sheets report a grand total for each receipt category. These totals are then entered into different computer systems which are used to prepare the receipts and disbursements ledgers and to compile various monthly and quarterly reports. The County Clerk reconciles motor vehicle taxes per the daily checkout to the state's AVIS system but does not reconcile the monthly or quarterly reports to the ledgers. The County Clerk's receipts and disbursements ledgers were not accurate and required numerous audit adjustments and reclassifications. As a result, the following exceptions were noted:

GREEN COUNTY
BILLY JOE LOWE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-002 The County Clerk Should Maintain Accurate Receipts And Disbursements Ledgers And Reconcile Them To All Monthly and Quarterly Reports (Continued)

- During our testing of monthly reports, we noted that ten (10) out of the twelve (12) monthly reports for Affordable Housing Trust Fund (AHTF) fees did not agree to monthly receipt ledger totals. The yearly total posted to the receipts ledger was \$124 more than the yearly total posted to the disbursements ledger. Furthermore, the County Clerk requested a \$122 refund from the State for calendar year 2014 that he was not entitled to.
- A delinquent tax payment to the Sheriff was short \$100 and fire acres collected for one month were not remitted to the County.
- We also found one delinquent tax bill was left off the May 2014 delinquent tax report even though it was properly posted to the receipts ledger. As a result, additional amounts are due to the State, Sheriff, County Attorney, County, and other taxing districts.

Without an accurate receipts ledger the Clerk cannot ensure all receipts have been properly accounted for. If reports are not reconciled to the receipts and disbursements ledgers the Clerk cannot ensure proper amounts have been reported and paid to others. In addition, the risk that receipts could be misappropriated, or that fraud or theft could occur increases.

We recommend the County Clerk maintain accurate receipts and disbursements ledgers and reconcile all monthly and quarterly reports to them. This reconciliation can be documented by initialing and dating the reports and ledgers.

County Clerk's Response: No response.

2014-003 The County Clerk Should Strengthen Controls Over Payroll

During the testing of payroll, we noted time sheets were not properly maintained. The following exceptions were noted:

- Four timesheets could not be located.
- Timesheets were not properly signed by the employee. Employees make a copy of the calendar filled out for the previous pay period after it is signed and dated. They complete the calendar for the second pay period; however, they do not re-sign and date the timesheet.
- Timesheets are signed before the end of the pay period and are not adjusted if necessary.
- Some of the tested timesheets were not signed by the County Clerk to indicate his review and approval.

GREEN COUNTY
BILLY JOE LOWE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-003 The County Clerk Should Strengthen Controls Over Payroll (Continued)

- Some timesheets were altered; however, changes were not approved by the employee.
- There were three instances where hours paid did not agree to the timesheet. According to the individual earning record, a deputy was overpaid 8 hours on July 30th and underpaid 8 hours on October 15th. Also, there was a note on the December 15th timesheet stating owed 5 hours from November. However, there is no documentation on the November calendar to support this.
- We noted two timesheets for the same pay period for one employee. One timesheet reported 46 hours and one reported 44 hours. The days and hours differed on each timesheet. Per the individual earning record, the employee was paid for 46 hours.
- Leave balances were not tracked accurately. We compared the leave time used per employees' individual earnings records to leave time used per available time sheets. In 31 instances the hours on time sheets differed from the hours recorded on the Individual Earnings Records. In addition, leave time used by employees per the attendance calendars did not agree with the leave time reported on the time sheets.
- Based on available signed time sheets, three employees were paid a total of 20 hours more of vacation and 54 hours more sick time than they earned during calendar year 2014. However, since the leave hours reported on the time sheets did not always agree with the Individual Earnings Records or with the attendance calendars, we cannot be sure the amounts reported on the time sheets were accurate.

KRS 337.320(1)(a, b, c) requires that "every employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) the hours worked each day and each week by each employer: (c) and such other information as the executive director requires."

Since excess fees of the Clerk's office are ultimately paid to the fiscal court, this lack of proper payroll documentation and internal controls over payroll increases the risk that the county could incur additional payroll liabilities. Additionally without accurate tracking of leave balances, there is an increased risk employees could be paid for sick and vacation time not earned.

We recommend the Clerk strengthen internal controls over the payroll process to ensure timesheets are accurately prepared and signed by all employees for each pay period, are reviewed, approved, and signed by the Clerk or his designee, and leave balances are accurately monitored.

County Clerk's Response: No response.

